

SENATE BILL 3601

By Haynes

AN ACT to amend Tennessee Code Annotated, Title 67,
Chapter 4, Part 21, relative to tax incentives for
small businesses.

BE IT ENACTED BY THE GENERAL ASSEMBLY OF THE STATE OF TENNESSEE:

SECTION 1. Tennessee Code Annotated, Section 67-4-2109, is amended by adding
the following as a new, appropriately designated subsection:

(q)

(1) As used in this subsection(q):

(A) "Certification period" means the period set forth in the
certification letter issued by the commissioner under subdivision (q)(4);

(B) "Qualified small business" means a taxpayer that has been
doing business in this state for no less than twenty-four (24) months prior
to the date of its application under subdivision (q)(4) and that employs no
more than thirty (30) employees in this state on the date of its application
under subdivision (q)(4);

(C) "Qualified small business job" means a job that meets all of
the following criteria:

(i) The job position is a permanent, rather than seasonal
or part-time, employment position providing employment in a
qualified small business for at least twelve (12) consecutive
months to an individual for at least thirty-seven and one half (37
1/2) hours per week;

(ii) The job position is newly created in this state and, for at
least ninety (90) days prior to being filled by the taxpayer, did not

exist in this state as a job position of the taxpayer or of another business entity;

(iii) The job position is filled; provided, however, that a position will be deemed filled if it subsequently becomes vacant but is refilled within a period of not more than ninety (90) days;

(iv) The job position is not filled by an individual who is an owner, shareholder, member, or partner in the qualified small business; and

(v) The job position is filled during the certification period; and

(D) "Unemployed person" means any person who has twenty (20) weeks or more of unemployment benefits remaining as of the date of hire by the qualified small business, and who is hired by the qualified small business on or after the effective date of this act.

(2) There shall be allowed to any qualified small business that creates at least five (5) qualified small business jobs during the certification period a credit equal to one thousand dollars (\$1,000) for each unemployed person hired by the qualified small business to fill a qualified small business job.

(3) The credit shall apply against the taxes imposed by this part and by the Excise Tax Law of 1999, compiled in part 20 of this chapter; provided, however, that the credit, together with any carry-forward, taken on any franchise and excise tax return shall not exceed forty percent (40%) of the combined franchise and excise tax liability shown on the return before any credit is taken. Any unused credit may be carried forward in any tax period until the credit is taken; provided, however, that the credit may not be carried forward for more than fifteen (15) years.

(4) To be eligible to claim the credit, a qualified small business shall apply to the commissioner of revenue. The application shall be on a form

approved by the commissioner and shall contain sufficient information as required by the commissioner, including, but not limited to, the following:

(A) The activities in which the qualified small business primarily engages;

(B) The number of persons employed by the qualified small business as of the application date;

(C) A description of the types of jobs that the qualified small business anticipates creating;

(D) The approximate date the qualified small business will begin hiring unemployed persons to fill positions; and

(E) Verification from the department of labor and workforce development of the number of weeks an unemployed person has received unemployment benefits, the number of future weeks for which the person would have otherwise been entitled to receive benefits prior to the date of hire, and the date on which the unemployed person's benefits will terminate as a result of being hired by the qualified small business.

(5) If the commissioner of revenue approves the application, the commissioner shall issue a certification letter indicating that the credit will be available to be claimed by the qualified small business if the qualified small business otherwise meets the requirements of subdivision (q)(4). The certification letter shall define the certification period, which shall in no case exceed twelve (12) months.

SECTION 2. This act shall take effect upon becoming a law, the public welfare requiring

it.